



State of Utah

Department of Natural Resources

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas & Mining

JOHN R. BAZA
Division Director

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

May 3, 2006

Alan Propp
12324 East Bates Circle
Aurora, Colorado 80014

Subject: Deficient Notice of Intention to Commence Small Mining Operations,
Black Sands Holding Company, Black Sands 47280, M0470083, Task ID#
1383, Uintah County, Utah

Dear Mr. Propp:

The Division of Oil, Gas and Mining has reviewed the referenced Notice of Intention to Commence Small Mining Operations. The following items need to be addressed before the notice can be approved:

1. Please identify the diameter of exploration holes, how many holes would be drilled, how deep these holes would be, and whether you expect these holes to encounter ground water.
2. What roads will need to be constructed for the core drilling phase of this operation?

The mine location would be determined based on core drilling results, and the notice shows two potential mine locations. An amendment will need to be submitted when the mine location is determined. Until this amendment showing the mine location is submitted, found complete, and reclamation surety adjusted you are only authorized to conduct drilling activities.

The Division needs to receive the information required in this letter before determining a reclamation bond amount. When you submit this information, please notify the Division whether you would like the bond amount to include the mine site in addition to the core hole drilling since information in the notice is not adequate for permitting the mine site.

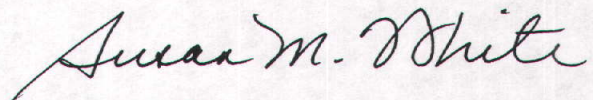
The notice indicates Black Sands Holding Company is seeking approval from the Division of Water Quality to operate the processing facilities. You should be aware that Water Quality's process is separate from that of the Division, so eventual approval from the Division will not constitute approval from Water Quality.

Alan Propp
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This site is near another exploration/small mine proposed by Black Sands Holding, the Black Sands 47281 Mine, file number M0470084. Since the current proposals are for core drilling the Division will allow these two proposals to proceed. They are close enough, however, that when actual mining begins, they will be considered a single large mine rather than two small mines. Assuming these projects are successful and that Black Sands actually begins mining operations at these two sites, you will need to submit a single Notice of Intention to Commence Large Mining Operations (LMO). ***Within 60 days of beginning mining operations at these sites, Black Sands must submit an LMO application.*** The LMO application requires site specific resource information. The Division suggests you begin acquiring this data soon, and aerial photography.

If you need further information about the required map or other aspects of this letter, please contact Paul Baker at 801-538-5261 or me at 801-538-5258. Thank you for your cooperation.

Sincerely,



Susan M. White
Mining Program Coordinator
Minerals Regulatory Program

SMW:PBB:pb
Enclosure: Reclamation Contract
cc: Will Stokes, SITLA
Frank Ginton, Black Sands
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